

FOR IMMEDIATE RELEASE

IndoAgri posted an improved 4Q19 result on a strong recovery in CPO prices

HIGHLIGHTS:

- Plantation Division performed well in 4Q19 with higher profitability with the recovery in CPO prices
- Group reported net profit of Rp4 billion (S\$0.4 million) in 4Q19, reversing from a net loss of Rp362 billion (S\$35 million) in 4Q18
- FY19 results remained lower due to weak commodity prices for the year

SINGAPORE – 28 February 2020 – SGX Mainboard-listed IndoAgri (the “Group”), a diversified and integrated from agribusiness group and manufacturer of leading brands of edible oils and fats products in Indonesia, posted an improved 4Q19 result on a strong recovery in CPO prices. However, FY19 results remained subdued mainly due to lower commodity prices.

Despite a strong recovery in CPO prices in 4Q19, the Group’s revenue decreased 6% yoy on lower EOF Division sales. FY19 revenue declined 3% yoy on lower selling prices for palm products and edible oils and fats (EOF) products, but partly offset by higher sales volume of palm kernel (PK) products, sugar and EOF products.

	Rp' billion						S\$' million ¹			
	4Q19	4Q18	▲%	FY19	FY18	▲%	4Q19	4Q18	FY19	FY18
Revenue	3,556	3,798	(6)	13,650	14,059	(3)	343	366	1,317	1,356
Gross profit	799	433	84	2,026	2,198	(8)	77	42	195	212
Gross margin (%)	22.5%	11.4%		14.8%	15.6%		22.5%	11.4%	14.8%	15.6%
EBITDA ²	739	403	83	1,909	2,295	(17)	71	39	184	221
EBITDA margin (%)	20.8%	10.6%		14.0%	16.3%		20.8%	10.6%	14.0%	16.3%
Net profit/ (loss) after tax	4	(362)	n/m	(710)	(427)	66	0.4	(35)	(68)	(41)
Core loss after tax ³	(21)	(281)	(92)	(697)	(186)	276	(2)	(27)	(67)	(18)
Attributable loss	(11)	(212)	(95)	(411)	(222)	85	(1)	(20)	(40)	(21)
EPS (fully diluted) - Rp/S\$ cents	(8)	(152)	(95)	(295)	(159)	85	(0.1)	(1.5)	(2.8)	(1.5)

n.m. denotes “Not Meaningful”

¹ Income Statement and Balance Sheet items are converted at exchange rates of Rp10,368/S\$1 and Rp10,321 /S\$1, respectively#

² Earnings before interests and tax expense, depreciation and amortisation, the effects of foreign exchange, and fair value gain/ (loss) of biological assets

³ Net profit/ (loss) before accounting for the effects of foreign exchange, fair value gain/(loss) on biological assets, expected credit losses for plasma receivables, impairment of goodwill and fixed assets.

Plantation Division's revenue increased 1% due to a 21% recovery in CPO prices compared to 4Q18, this was partly offset by lower sales volume of CPO. FY19 revenue declined 4% yoy on lower selling prices of palm products (CPO -3%, PK -39%), but partly offset by higher sales volume of PK products and sugar.

EOF Division's revenue declined 5% and 1% in 4Q19 and FY19 mainly attributable to lower selling prices of EOF products. On a positive note, the EOF Division achieved an improved profit in FY19 on sales volume growth and lower material costs i.e. CPO.

The Group reported significantly higher gross profit in 4Q19, increasing 84% over 4Q18 mainly driven by a strong recovery in CPO prices. In FY19, gross profit declined 8% mainly due to lower profit from Plantation Division on lower selling prices of palm products. The decline was partly offset by an improved profit from EOF Division.

The Group reported an improved 4Q19 result, reversing from net loss of Rp362 billion in 4Q18 to net profit of Rp4 billion. The improved result was mainly attributable to higher profit from Plantation Division arising from a strong recovery in CPO prices in 4Q19, and gains arising from changes in fair values of biological assets. This was partly offset by the write-off of deferred tax assets relating to unrecoverable tax losses.

FY19 financial results remained subdued with a higher net loss of Rp710 billion compared to Rp427 billion in FY18 mainly due to lower commodity prices. FY19 results were further affected by higher expected credit losses relating to plasma receivables, impairment of assets, higher financial expenses and higher income tax arising from write-off of deferred tax assets relating to unrecoverable tax losses. The decline was partly offset by gains arising from changes in fair values of biological assets and foreign currency gains.

“2019 was a very challenging year for agribusinesses due to weak commodity prices for our major crops. This had a significant impact on our financial performance, particularly our Plantation Division. This was partly offset by a strong performance from our EOF Division, recording increased profits on higher volume growth and lower raw material costs.

Our FY19 FFB nucleus declined 2% to 3,300,000 tonnes due to our ongoing replanting activities, where we are replanting some of our older areas, with new higher yielding seed material. We expanded our milling capacity with a new 45 MT FFB/hour palm oil mill which was completed in September 2019. Our Surabaya refinery capacity expanded by 300,000 MT per annum in 2018 resulting in increased cooking oil and margarine sales volume in 2019.

The economic uncertainties arising from the ongoing US-China trade tensions and the recent Covid-19 outbreak will continue to exert additional volatility to the price of agricultural commodities. The demand for palm oil from key import markets like China and India, and the price of crude oil which affects biodiesel demand, plus CPO's price relative to soya oil, will have an impact on the direction of CPO prices. Nonetheless, the CPO outlook remains positive in Indonesia, where the government's drive to increase biodiesel consumption and the new B30 mandate, effective from January 2020, are expected to boost domestic palm oil demand. CPO prices have recovered strongly from the lows in mid-2019, driven by lower production growth and strong demand.

Amidst this volatile commodity price environment, we will continue to prioritise our capital expenditure investment in growth areas, and focus on cost-control measures and other innovations to increase productivity.” commented Mr Mark Wakeford, CEO and Executive Director.

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ABOUT INDOAGRI

Indofood Agri Resources Ltd. (“IndoAgri”) is a diversified and integrated agribusiness group with principal business operations that range from research and development, breeding and cultivation of oil palms, to the milling and refining of crude palm oil, and the marketing and distribution of cooking oil, margarine, shortening and other derivative products. The Group also engages in the cultivation of other crops such as rubber, sugar cane, cocoa and tea.

As of end December 2019, IndoAgri has 302,372 hectares planted with oil palm, rubber, sugar cane, timber, cocoa and tea in Indonesia.

For more information please visit our website at: www.indofoodagri.com.